

## Internal Revenue Service

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PLR-137159-13

Date:

March 10, 2014

### Legend

Foreign Parent =

US Parent =

Sub 1 =

New Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

PLR-137159-13

FSub =

FDE =

DE 1 =

DE 2 =

DE 3 =

DE 4 =

DE 5 =

DE 6 =

DE 7 =

DE 8 =

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DE 9 =

DE 10 =

DE 11 =

DE 12 =

DE 13 =

Partnership 1 =

Partnership 2 =

Partnership 3 =

LLC =

Country X =

Country Y =

State A =

PLR-137159-13

Year 1 =

Year 2 =

Business A =

Business B =

Business A  
Liabilities =

Property =

a =

b =

c =

d =

e =

f =

g =

h =

i =

Dear :

This letter responds to your request, dated August 19, 2013, submitted by your authorized representatives on behalf of US Parent and its affiliates, for rulings on certain

federal income tax consequences of a series of transactions (collectively, the “Proposed Transaction”). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

### **Summary of Facts**

Foreign Parent is a publicly listed Country X corporation that owns all of the common stock of US Parent, its sole class of stock authorized, issued, and outstanding. US Parent is the common parent of an affiliated group of corporations (the “US Parent Group”) that join in the filing of a consolidated federal income tax return.

US Parent owns all of the interests in FDE, a Country Y entity disregarded as separate from US Parent for federal income tax purposes. FDE, in turn, owns all of the interests in DE 1, a limited liability company disregarded as separate from US Parent for federal income tax purposes. Together, FDE and DE 1 own all of the interests (a% and b%, respectively) in DE 2, a State A partnership disregarded as separate from US Parent for federal income tax purposes. DE 2 owns all of the interests in DE 3, a limited liability company disregarded as separate from US Parent for federal income tax purposes.

In addition to the stock of other members of the US Parent Group that are not relevant to the Proposed Transaction, DE 3 owns all the outstanding common and preferred stock of Sub 1, and all of the outstanding stock of Sub 2. Each of Sub 1 and Sub 2 is a member of the US Parent Group. DE 3 also wholly owns DE 4, a limited liability company disregarded as separate from US Parent for federal income tax purposes.

Sub 1 owns all of the outstanding stock of FSub and all of the interests in DE 5, a limited liability company disregarded as separate from Sub 1 for federal income tax purposes. Sub 1 also owns a c% limited partnership interest in Partnership 1, a d% membership interest in Partnership 2, a limited liability company treated as a partnership for federal income tax purposes, and an e% membership interest in Partnership 3, a limited liability company treated as a partnership for federal income tax purposes. Partnership 2 owns an f% general partnership interest in Partnership 1.

DE 5 owns all of the interests in DE 6, DE 7, DE 8, DE 9, and DE 10, each a limited liability company disregarded as separate from Sub 1 for federal income tax purposes. DE 6 owns all of the interests in DE 11, a limited liability company disregarded as separate from Sub 1 for federal income tax purposes. DE 7 owns all of the stock of Sub 3, a member of the US Parent Group. DE 9 owns g% of the outstanding stock of Sub 4,

and all of the interests in DE 12 and DE 13, each a limited liability company disregarded as separate from Sub 1 for federal income tax purposes. Together, DE 6, DE 7, DE 8, DE 9, DE 10, DE 11, DE 12, DE 13, Sub 3, and Sub 4 constitute the “Operating Entities.”

Sub 1 was initially incorporated in Year 1 and, directly and indirectly through its subsidiaries, conducted Business A. In Year 2, prior to its acquisition by US Parent, Sub 1 ceased its Business A operations and disposed of Business A. However, substantial liabilities associated with Business A (the “Business A Liabilities”) remained with Sub 1, and Sub 1 continues to hold certain assets (including Property) associated with the Business A Liabilities.

Sub 1 currently conducts, directly and indirectly, a number of businesses. Most significant, Sub 1 is the holding company for a number of corporations and limited liability companies (the Operating Entities, as defined above) that are engaged in Business B. US Parent is also directly and indirectly engaged in Business B, through Sub 1 and other entities.

### **Proposed Transaction**

For what are represented to be valid corporate business reasons, the following transaction has been proposed (the “Proposed Transaction”):

- (i) Sub 1 will contribute certain Business B assets to each of the Operating Entities (other than Sub 3 and Sub 4) to better align their use and ownership. Because each of the Operating Entities that receive these assets is disregarded as separate from Sub 1, this step will be disregarded for federal income tax purposes.
- (ii) DE 9 will transfer its interests in DE 12 and DE 13 to one or more of the Operating Entities (other than Sub 3 and Sub 4) to align the use and ownership of real property held by DE 12 and DE 13. Because DE 9 and each of the Operating Entities that receive the interests in DE 12 and DE 13, are disregarded as separate from Sub 1, this step will be disregarded for federal income tax purposes.
- (iii) DE 7 and DE 8 will transfer to DE 5, certain Business B assets that are not expected to be used for a number of years. Because DE 5, DE 7, and DE 8 are disregarded as separate from Sub 1, this step will be disregarded for federal income tax purposes.
- (iv) Under State A law, Sub 1 will convert into a State A limited liability company (now “LLC”) that will be treated as disregarded as separate from

US Parent for federal income tax purposes (the “Conversion”). Sub 1’s common and preferred stock will be converted into interests in LLC by operation of State A law.

- (v) Intercompany indebtedness due from LLC (formerly Sub 1) to DE 3, and due from DE 3 to LLC (formerly Sub 1) or to an entity disregarded as separate from LLC will be cancelled. This step will be disregarded for federal income tax purposes.
- (vi) Sub 2, which is wholly owned by DE 3, will issue a note in the amount of approximately \$h to DE 3 (“the Promissory Note”), and DE 3 will immediately contribute the Promissory Note to LLC for no consideration. DE 3’s contribution of the Promissory Note to LLC will be disregarded for federal income tax purposes.
- (vii) Consistent with the US Group’s customary financial assurance arrangements, US Parent will provide LLC with guarantees and credit support as required for LLC to obtain letters of credit, surety bonds, and other forms of financial assurance required by LLC’s permits or other governmental regulations (the “Financial Guarantees”). The Financial Guarantees will not exceed \$i without US Parent’s consent and LLC will indemnify US Parent for any claims made against US Parent under the Financial Guarantees. The indemnity agreement will be secured by the Promissory Note and LLC’s membership interest in DE 5. US Parent and Sub 1 do not anticipate any claims under the Financial Guarantees as it is expected that Sub 1 will fully perform its obligations.
- (viii) DE 5 will distribute all of its interests in DE 6, DE 7, DE 8, DE 9, and DE 10 (the “DE 5 Entities”) to LLC, and LLC will immediately transfer its interests in the DE 5 Entities to DE 3, an entity disregarded as separate from US Parent for federal income tax purposes. This step will be disregarded for federal income tax purposes.
- (ix) Any remaining intercompany indebtedness between LLC and members of the US Parent Group, and between DE 5 and members of the US Parent Group will be cancelled.
- (x) Under State A law, LLC will convert into a corporation, New Sub 1 (the “Contribution”). New Sub 1 will have a single class of voting common stock outstanding that will be held by US Parent through its interest in DE 3, an entity disregarded as separate from US Parent for federal income tax purposes.

Steps (iv) through (x) will occur on the same day.

## **Representations**

### **The Conversion**

The following representations are made with respect to the Conversion:

- (1a) The fair market value of the US Parent stock deemed to be received by US Parent in the Conversion will be approximately equal to the fair market value of the Sub 1 stock deemed to be surrendered in the Conversion.
- (1b) In the Conversion, no consideration other than voting common stock of US Parent will be deemed to be issued.
- (1c) Sub 1 will be deemed to distribute the US Parent stock deemed received in the Conversion, and its other properties, in pursuance of the plan of reorganization.
- (1d) US Parent will be deemed to acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by Sub 1 immediately prior to the Conversion. For purposes of this representation: (i) amounts used by Sub 1 to pay its expenses, if any, in connection with the Conversion; (ii) amounts paid by Sub 1 to shareholders who receive cash or other property, if any, in the Conversion; and (iii) all redemptions and distributions (except for regular, normal dividends) made by Sub 1 immediately preceding the Conversion, if any, will be included as assets of Sub 1 held immediately prior to the Conversion.
- (1e) During the five-year period ending on the date of the Conversion: (i) neither US Parent nor any person related (as defined in Treas. Reg. § 1.368-1(e)(4)) to US Parent will have acquired Sub 1 stock with consideration other than US Parent stock; (ii) no person related to US Parent will have acquired or redeemed Sub 1 stock with consideration other than US Parent stock or Sub 1 stock; and (iii) no distribution will have been made with respect to the stock of Sub 1, other than ordinary, normal, regular dividend distributions made pursuant to the historic dividend paying practice of Sub 1, either directly or through any transaction, agreement, or arrangement with any other person.
- (1f) US Parent has no plan or intention to sell or otherwise dispose of any of the assets of Sub 1 deemed to be acquired in the Conversion, except for



- dispositions made in the ordinary course of business, or transfers described in section 368(a)(2)(C) or Treas. Reg. § 1.368-2(k).
- (1g) The Business A Liabilities and any other liabilities of Sub 1 deemed to be assumed (within the meaning of section 357(d)) by US Parent, and the Business A Liabilities and any other liabilities to which the assets deemed to be transferred will be subject, will have been incurred by Sub 1 in the ordinary course of its past and current businesses and will be associated with the assets deemed to be transferred to US Parent in the Conversion.
  - (1h) Following the Conversion, US Parent will continue, either directly or through one or more members of US Parent's qualified group (as defined in Treas. Reg. § 1.368-1(d)(4)(ii)), the historic business of Sub 1, or will use a significant portion of Sub 1's historic business assets in a business.
  - (1i) Each of US Parent and Sub 1 will pay its respective expenses, if any, incurred in connection with the Conversion.
  - (1j) At the time of the Conversion, there will be no indebtedness existing between US Parent (or any entity disregarded as separate from US Parent) and Sub 1 that was issued or acquired at a discount or that will be settled at a discount.
  - (1k) At the time of the Conversion, neither US Parent nor Sub 1 will be an investment company within the meaning of section 368(a)(2)(F)(iii) and (iv).
  - (1l) The total fair market value of the assets of Sub 1 deemed to be transferred to US Parent in the Conversion will exceed the sum of: (i) the amount of any liabilities deemed to be assumed (within the meaning of section 357(d)) by US Parent (or any entity disregarded as separate from US Parent) in the Conversion; (ii) the amount of any liabilities owed to US Parent (or any entity disregarded as separate from US Parent) by Sub 1 that are actually, or deemed to be, discharged or extinguished in connection with the Conversion; and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without recognition of gain), if any, deemed to be received by Sub 1 (or any entity disregarded as separate from Sub 1) in the Conversion. The fair market value of the assets of US Parent will exceed the amount of its liabilities immediately after the Conversion.
  - (1m) At the time of the Conversion, the fair market value of Sub 1's assets, net of its liabilities, will exceed the amount due, under applicable state law, on Sub 1's outstanding preferred stock. Upon a liquidation, dissolution or winding up

of Sub 1, distributions would be made with respect to both Sub 1's preferred stock and common stock.

- (1n) At the time of the Conversion, Sub 1 will not be under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (1o) There have been no deferred intercompany transactions (within the meaning of Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597) in which the property transferred was stock of Sub 1.
- (1p) Items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations as a result of the Conversion (See Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
- (1q) With respect to each intercompany obligation (within the meaning of Treas. Reg. § 1.1502-13(g)(2)(ii)) between Sub 1 (or any entity disregarded as separate from Sub 1) and US Parent (or any entity disregarded as separate from US Parent) that will be extinguished, for federal income tax purposes, in connection with the Conversion: (i) the fair market value of the obligation will be approximately equal to its face amount, its adjusted issue price, and the creditor's adjusted basis therein; and (ii) the debtor's corresponding item and the creditor's intercompany item (after taking into account the special rules of Treas. Reg. § 1.1502-13(g)(4)(i)(C)) with respect to the obligation will offset in amount.
- (1r) The Proposed Transaction, including the Conversion, will be carried out for the following corporate business purpose(s): (i) to better align the corporate ownership of the Operating Entities engaged in Business B with the US Parent Group's management of Business B; (ii) to reduce the risk that liabilities and claims associated with Business A formerly conducted by Sub 1 would encumber or discourage development and growth of Business B; and (iii) to achieve state tax savings.
- (1s) All material steps that comprise the Proposed Transaction, including the Conversion, will be undertaken pursuant to a prearranged overall plan of reorganization and will be reported consistently by the respective parties for federal income tax purposes.

## **The Contribution**

The following representations are made with respect to the Contribution:

- (2a) No stock or securities will be issued, or deemed issued, for services rendered to or for the benefit of New Sub 1 in connection with the Contribution, and no stock or securities will be issued, or deemed issued, for indebtedness of New Sub 1 that is not evidenced by a security or for interest on indebtedness of New Sub 1 which accrued on or after the beginning of the holding period of US Parent for the debt.
- (2b) None of the stock deemed to be transferred by US Parent to New Sub 1 in the Contribution is “section 306 stock” within the meaning of section 306(c) of the Code.
- (2c) Any debt relating to stock deemed to be transferred by US Parent, that is deemed to be assumed by New Sub 1 (or to which such stock is subject) in connection with the Contribution, was incurred to acquire such stock and was incurred when such stock was acquired, and US Parent will be deemed to transfer all of the stock for which the acquisition indebtedness to be assumed (or to which such stock is subject) was incurred.
- (2d) The Contribution is not the result of the solicitation by a promoter, broker, or investment house.
- (2e) The value of the New Sub 1 stock deemed to be received by US Parent in exchange for the deemed transfer of accounts receivables to New Sub 1, if any, will be equal to the net value of the accounts receivables.
- (2f) US Parent (directly or indirectly, through its interest in entities that are disregarded as separate from US Parent for federal income tax purposes) will not retain any rights in the property deemed to be transferred to New Sub 1.
- (2g) The Business A Liabilities and any other liabilities of US Parent deemed to be assumed (as determined under section 357(d)) by New Sub 1 in the Contribution, and the Business A Liabilities and any other liabilities to which the assets deemed to be transferred will be subject, will have been incurred in the ordinary course of the businesses conducted by Sub 1 prior to the Conversion and will be associated with the assets deemed to be transferred to New Sub 1 in the Contribution.
- (2h) The total adjusted bases of the assets deemed to be transferred to New Sub 1 by US Parent will equal or exceed the sum of the liabilities, if any, deemed

- to be assumed (as determined under section 357(d)) by New Sub 1 plus any liabilities to which the assets deemed to be transferred are subject. For purposes of determining whether the adjusted basis of the transferred assets equals or exceeds the sum of the liabilities assumed by New Sub 1, the Business A Liabilities and any liabilities described in section 357(c)(3) are not taken into account.
- (2i) There will be no indebtedness between US Parent (or any entity disregarded as separate from US Parent) and New Sub 1 (or any entity disregarded as separate from New Sub 1) at the time of the Contribution, and there will be no indebtedness created in favor of US Parent (or any entity disregarded as separate from US Parent) as a result of the Contribution.
- (2j) The total fair market value of the assets deemed to be transferred to New Sub 1 by US Parent in the Contribution will exceed the sum of: (i) the amount of any liabilities deemed to be assumed (within the meaning of section 357(d)) by New Sub 1 (or any entity disregarded as separate from New Sub 1) in connection with the Contribution; (ii) the amount of any liabilities owed to New Sub 1 by US Parent (or any entity disregarded from US Parent) that are actually, or deemed to be, discharged or extinguished in connection with the Contribution; and (iii) the amount of cash and the fair market value of any other property (other than stock of New Sub 1 permitted to be received under section 351(a) without the recognition of gain), if any, deemed to be received by US Parent (or any entity disregarded from US Parent) in connection with the Contribution. The fair market value of the assets of New Sub 1 will exceed the amount of its liabilities immediately after the Contribution.
- (2k) The Contribution will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (2l) All exchanges in connection with the Contribution will occur on approximately the same date.
- (2m) There is no plan or intention on the part of New Sub 1 to redeem or otherwise reacquire any stock to be issued, or deemed issued, in the Contribution.
- (2n) The fair market value of the New Sub 1 stock deemed to be received by US Parent in the Contribution will be approximately equal to the fair market value of the property deemed to be transferred to New Sub 1 in the Contribution.
- (2o) Following the Proposed Transaction, including the Contribution, New Sub 1 will remain in existence, and will retain and use the property deemed to be transferred to it in connection with the Contribution in a trade or business.

- (2p) Each of US Parent and New Sub 1 will pay its respective expenses, if any, incurred in connection with the Contribution.
- (2q) At the time of the Contribution, New Sub 1 will not be an investment company within the meaning of section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (2r) At the time of the Contribution, neither US Parent (nor any entity disregarded as separate from US Parent) will be under the jurisdiction of a court in a Title 11 or similar case (within the meaning of section 368(a)(3)(A)), and the New Sub 1 stock deemed to be received in the Contribution will not be used to satisfy the indebtedness of US Parent.
- (2s) At the time of the Contribution, New Sub 1 will not be a personal service corporation within the meaning of section 269(A).
- (2t) Taking into account any actual or deemed issuance of additional shares of New Sub 1 stock, any issuance of New Sub 1 stock for services, the exercise of any New Sub 1 stock rights, warrants, or subscriptions; a public offering of New Sub 1 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of New Sub 1 deemed to be received in the Contribution, US Parent will be in “control” of New Sub 1 within the meaning of section 368(c).
- (2u) US Parent has no plan or intention to sell or otherwise dispose of the stock of New Sub 1 deemed to be received in the Contribution.
- (2v) New Sub 1 has no plan or intention to dispose of the property deemed to be transferred to it in the Contribution other than dispositions in the ordinary course of business and the potential disposition of Property.
- (2w) At the time of the Contribution, the aggregate fair market value of the property deemed to be transferred by US Parent to New Sub 1 in the Contribution will equal or exceed US Parent’s aggregate adjusted bases in such property.
- (2x) The Contribution is not being undertaken with a view to prevent the consolidated return provisions from properly addressing loss duplication within the meaning of Treas. Reg. § 1.502-80(h).
- (2y) The Proposed Transaction, including the Contribution, will be carried out for the following corporate business purpose(s): (i) to better align the corporate ownership of the Operating Entities engaged in Business B with the US Parent Group’s management of Business B; (ii) to reduce the risk that

- liabilities and claims associated with Business A formerly conducted by Sub 1 would encumber or discourage development and growth of the Business B; and (iii) to achieve state tax savings.
- (2z) All material steps that comprise the Proposed Transaction, including the Contribution, will be undertaken pursuant to a prearranged overall plan of reorganization and will be reported consistently by the respective parties for federal income tax purposes.

### **Rulings**

Based solely on the information submitted and the representations set forth above, we rule as follows:

#### **The Conversion**

- (1) For federal income tax purposes, the Conversion will be treated as a transfer by Sub 1 of substantially all of its assets to US Parent solely in exchange for US Parent voting stock and US Parent's assumption of the liabilities of Sub 1, followed by the distribution by Sub 1 of the US Parent voting stock to US Parent in complete liquidation of Sub 1. The Conversion will qualify as a reorganization under section 368(a)(1)(C). The Contribution will be treated as a transfer described in section 368(a)(2)(C), and will not preclude the Conversion from qualifying as a reorganization under 368(a)(1)(C). Sub 1 and US Parent each will be "a party to a reorganization" within the meaning of section 368(b).
- (2) Sub 1 will recognize no gain or loss on the deemed transfer of its assets to US Parent solely in exchange for the deemed issuance of US Parent stock and the deemed assumption by US Parent of the liabilities of Sub 1 (sections 361(a) and 357(a)).
- (3) Sub 1 will recognize no gain or loss on the deemed distribution of US Parent stock to US Parent (section 361(c)(1)).
- (4) US Parent will recognize no gain or loss on the deemed receipt of the assets of Sub 1 in exchange for the deemed issuance of US Parent stock (section 1032(a)).
- (5) US Parent's basis in each asset deemed received from Sub 1 will be the same as the basis of such asset in the hands of Sub 1 immediately before the Conversion (section 362(b)).

- (6) US Parent's holding period in each asset deemed received from Sub 1 will include the period during which such asset was held by Sub 1 (section 1223(2)).
- (7) US Parent will recognize no gain or loss on the deemed receipt of US Parent stock in exchange for its Sub 1 stock (section 354(a)(1)).
- (8) US Parent will succeed to and take into account, as of the close of the date of the Conversion, the items of Sub 1 described in section 381(c) subject to the conditions and limitations specified in sections 381, 382, 383 and 384, and the regulations thereunder (section 381(a)).
- (9) Except to the extent US Parent's earnings and profits already reflect Sub 1's earnings and profits, US Parent will succeed to and take into account, the earnings and profits or deficit in earnings and profits, of Sub 1 as of the close of the date of the Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33). Any deficit in the earnings and profits of US Parent and Sub 1 will be used only to offset earnings and profits accumulated after the date of the Conversion (section 381(c)(2)(B)).

#### The Contribution

- (10) For federal income tax purposes, the Contribution will be treated as the transfer by US Parent of assets (those remaining in LLC after step (ix) of the Proposed Transaction) to New Sub 1 solely in deemed exchange for New Sub 1 voting stock and New Sub 1's deemed assumption of the liabilities of US Parent.
- (11) US Parent will recognize no gain or loss on the deemed transfer of assets to New Sub 1 in the Contribution (sections 351(a) and 357(a)).
- (12) New Sub 1 will recognize no gain or loss on the deemed receipt of the assets of US Parent in the Contribution (section 1032(a)).
- (13) US Parent's basis in the New Sub 1 stock deemed received in the Contribution will be the same as the basis of the assets deemed transferred by US Parent to New Sub 1, reduced by (i) the amount of the Business A Liabilities deemed assumed by New Sub 1 in the Contribution, and (ii) the amount of any other liabilities (other than those described in section 357(c)(3)) deemed assumed by New Sub 1 in the Contribution (section 358(a)(1), (d)(1), and (d)(2)).

- (14) New Sub 1's payment of a Business A Liability that is treated as a constructive distribution by New Sub 1 to Parent, will not result in a further negative adjustment to Parent's basis in the New Sub 1 stock until the cumulative amount of such payments exceeds the amount by which Parent's basis in the New Sub 1 stock is reduced under section 358(d)(1) by reason of New Sub 1's deemed assumption of the Business A Liabilities (as provided in ruling (13)) (Treas. Reg. §§ 1.1502-32(a)(2) and 1.1502-80(a)(2)).
- (15) New Sub 1's payment of a Business A Liability that is treated as a constructive distribution by New Sub 1 to Parent, will not be included in the gross income of Parent to the extent that: (i) the distribution results in a corresponding negative adjustment to Parent's basis in the New Sub 1 stock under Treas. Reg. § 1.1502-32(b)(2)(iv); or (ii) there is no further negative adjustment to Parent's basis in the New Sub 1 stock under Treas. Reg. §§ 1.1502-32(a)(2) and 1.1502-80(a)(2) (as provided in ruling (14)) (Treas. Reg. § 1.1502-13(f)(2)(ii)).
- (16) US Parent's holding period in the New Sub 1 stock deemed received in the Contribution will include the holding period of the assets deemed transferred in exchange therefor, provided that the assets were held as capital assets on the date of the Contribution (section 1223(1)).
- (17) New Sub 1's basis in each asset deemed received from US Parent will be the same as the basis of such asset in the hands of US Parent immediately before the Contribution (section 362(a)(1) and Treas. Reg. § 1.1502-80(h)).
- (18) New Sub 1's holding period in each asset deemed received from US Parent will include the period during which such asset was held by US Parent (section 1223(2)).

### **Caveats**

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. Specifically, this office has not reviewed any information pertaining to and has made no determination regarding the federal income tax treatment of the cancellation of the intercompany indebtedness described in step (ix) of the Proposed Transaction.



**Procedural Statements**

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Frances L. Kelly  
Senior Counsel, Branch 2  
Office of Associate Chief Counsel (Corporate)

cc: